

Meeting Minutes

Minutes of the Meeting of the Board of Scottish Canals held on 2nd February 2017 at 11.00am at MacRoberts LLP, Seemple Street, Edinburgh

Present:	Andrew Thin	- Chair
	Tanya Castell	- Vice Chair
	Cathie Bankier	- Non-Executive Director
	Deborah Benson	- Non-Executive Director
	Martin Latimer	- Non-Executive Director
	Steve Dunlop	- Chief Executive
In Attendance:	Nicola Christie	- Head of Legal Services (Secretary)
	Katie Hughes	- Director of Estates and Commerce
	Claire Lithgow	- Director of Finance
	Richard Millar	- Director of Infrastructure
	Josie Saunders	- Head of Corporate Affairs
	Lesley Corr	- Executive Assistant
	Chis Wilcock	- Head of Head of Ports, Shipping, Freight and Canals, Scottish Government (Items 1-5 only)

1. Welcome and Apologies

The Chair welcomed everyone to the meeting, in particular Chris Wilcock, Head of Ports, Shipping, Freight and Canals, Scottish Government. There were no apologies. The Chair thanked the Board for their input to a positive meeting with the Minister for Transport and the Islands prior to the Board meeting. The Chair also thanked Lesley Corr for her efficient organisation of the Board meetings.

2. Declaration of Interests

There were no declarations of interest.

3. Approval of the Minutes from Previous Meeting and Matters Arising

The Board considered and approved the draft minutes of the Board meeting held on 15th December 2016.

4. Review of Previous Actions

The progress report on actions from the previous meeting was reviewed and would be updated. It was agreed that the Audit & Risk Committee would consider the requirement for risk appetite statements and advise the Board.

Action:

The Audit & Risk Committee to review the risk appetite statements and advise the Board.

5. Corporate Plan 2017-2020

The Board was updated on the Scottish Government's comments to date on the draft Corporate Plan 2017-20, in particular further prioritisation of Scottish Canal's contribution to National Outcomes and Indicators to reflect major areas of focus and areas of additional contribution. In addition, the Board recommended that a strategic mission statement be included within the Vision and Purpose section and that the communications team address the requirement to provide an expanded definition of inclusive regeneration as supplementary guidance. Further feedback from Scottish Government Finance was awaited. It was agreed that the Chair and Executive team would revise and recirculate the Corporate Plan to the Board and sponsor team to reflect the comments received prior to seeking ministerial approval by 31st March 2017.

It was noted that the refreshed Scottish Canal's Vision, including a foreword from the Minister for Transport and the Islands, would replace the current policy document – Making the Most of Scotland's Canals. Further, Scottish Canal's Framework document had been reviewed in line with the Scottish Government model framework and would be circulated to the Board for information.

Following approval, the Corporate Plan 2017-2020, Scottish Canal's Vision and the Framework document would be uploaded to Scottish Canal's web-site for information.

The key messages for a possible debate on Scottish Canals in the Scottish Parliament to be agreed with the sponsor team.

On behalf of the Board, the Chair thanked the sponsor team for their outstanding support.

Action:

The Chair and Executive team to revise and recirculate the Corporate Plan to the Board and sponsor team prior to seeking ministerial approval by 31st March 2017.

The approved Corporate Plan 2017-2020, Scottish Canal's Vision and the Framework document to be uploaded to Scottish Canal's web-site.

6. Corporate Risk

The Board reviewed the Corporate Risk Register. It was agreed that a further strategic economic risk be included regarding Scottish Canals resilience to adapt in the event of an economic upturn impacting its future canal-side property development opportunities. An amendment to the risk description to ensure effective customer feedback mechanisms were planned was also agreed. Following these amendments the Board agreed that the Corporate Risk Register reflected the key strategic risks currently facing the business.

The Board discussed in detail the controls in place, the current risk likelihood scores and planned action for each corporate risk and agreed amendments, in particular to expand the controls in place for each risk. The revised Corporate Risk Register would be further reviewed by the Audit & Risk Committee and the Chair of the Audit & Risk Committee would report to the Board.

Action:

The revised Corporate Risk Register to be further reviewed by the Audit & Risk Committee and the Chair of the Audit & Risk Committee to report to the Board.

QUARTER THREE PERFORMANCE REPORTING

7. Health and Safety Report

The Board reviewed the Q3 Health and Safety report and noted the actions completed and lessons learned to be implemented following a thorough appraisal of the pontoon deck failure at Muirtown Basin. The decking contractor, manufacturer and Health & Safety Executive had been advised of the test results of the decking material. The Board was assured that checks had been undertaken and that this decking material had not been installed at any other Scottish Canals locations.

The Board noted the implementation of lessons learned from a reportable incident and welcomed the reorganisation of Scottish Canals national and local Health and Safety Committees to ensure a strategic focus at national level and an emphasis on detailed action plans at local level. The Board was assured that the monthly Heads of Services meetings reviewed progress on the key performance indicators, compliance and corrective actions identified following safety audits and that the amber actions were being appropriately managed to completion. The Board also welcomed the widened Health and Safety benchmarking with comparator organisations.

The Board discussed progress towards completion of the Health and Safety Action Plan 2016/17 and was assured that the current amber actions were on track to be completed by the end of quarter 4. The Board welcomed the detailed emergency scenarios undertaken to test emergency planning and noted the competent business continuity response to a recent unplanned hardware failure by a third party provider.

8. Quarter 3 Business Report

The Board considered the Q3 Business Report and discussed concerns raised regarding the Rotate proposals. The Board agreed that to ensure the Falkirk Wheel remained one of the most popular places to visit in Scotland innovative investment in the visitor attraction was required to derive economic benefit. It was noted that Scottish Canals had only progressed the Rotate proposal to the initial design development phase with the express intention of examining all technical issues before progressing any further and had stated publicly at a number of customer meetings that details would be shared with boaters. The Board emphasised that a reasoned and methodical approach to all

communications should be continued and that the planned regular boaters newsletter would help communications.

The Board noted that the pay settlement had been concluded.

An in-depth discussion followed a detailed report on current asset management concerns including unplanned closures. The Board noted that the profile of operational works programme was weighted towards the last quarter of the financial year to minimise the operational impact of canal closures. The Board was assured that appropriate risk mitigation, key communications and emergency planning was in place and that the operational delivery teams were fully committed to the delivery of the capital plan in year. The Board commended the operations team for the exemplary works on the Linlithgow embankment and the communications team for regular briefings. The Board also discussed the trends in relation to bridge closures and emphasised the need to ensure trunk roads remained open.

As requested, a briefing on the priority asset related risks to be submitted to the Minister by the financial year end.

Action:

A briefing on the priority asset related risks to be submitted to the Minister by the financial year end.

9. Q3 Finance Report

The Board welcomed the results of the third formal reforecast which predicted a year end surplus. The variance in the forecasted full year out-turn was primarily due to unbudgeted pension costs in relation to the new defined benefit scheme and lower than anticipated retail revenue. The Board was assured that the shortfall in retail income was a timing issue and that the underlying retail trend remained positive. The Board noted that the Strathclyde pension fund was scheduled for revaluation at the end of this financial year which was likely to have an impact on costs in the future.

The Board was pleased that year to date revenue grant in aid was 41% of total income which demonstrated that the business was becoming more sustainable.

10. Business Plan 2017-18 decision paper

The Board discussed the draft Business Plan 2017-18 and agreed that it was ambitious yet realistic. The Board's proposed amendments to the narrative were noted and would be included. In addition, the amendments to the Corporate Plan would be incorporated in the Business Plan to ensure consistency. The significant impact of pension costs on the uplift in the staff costs budget was noted. It was agreed that the retail budget was informed and responsible. The balance sheet movement reflected the investment of cash into assets.

The Board approved the Business Plan 2017-18, subject to amendment as discussed.

11. Pricing Policy and Consultation Results decision paper

The Board noted that Scottish Canals wished to ensure a transparent process was undertaken for the pricing consultation and had procured Gerald Eve and GVA to carry out an independent review of all moorings and leisure prices. This independent review superseded research information in relation to leisure mooring pricing previously provided by Blue Sea Consulting, a limited liability partnership involving Martin and Craig Latimer. The Board noted that, as Blue Sea Consulting had no interests in the outcome of the pricing consultation, Martin Latimer would continue to attend the meeting and participate in the discussion.

The Board was assured that the pricing methodology proposed by the independent experts was fair, robust and transparent. The Board noted that 83% of mooring customers had not responded to the consultation although given the opportunity to do so.

The Board considered the recommendations and agreed to implement the following recommendation as a clear and affordable increase to administer:

Price increases for any leisure or residential mooring to be phased in as follows:

- Annual increase of less than £100 – implemented in full at a set date in the year, plus annual Consumer Price Index (CPI) uplift
- Annual increase of >£101 – prices will rise annually, with customers paying no more than an extra £100 in any given year (plus annual CPI uplift) until they reach the recommended rate. Thereafter, fees will be subject to CPI.

The Board noted that it was standard practice to link annual increases with the retail price index in commercial agreements, however, the consumer price index had been adopted in accordance with the views expressed in the consultation responses. The Board further noted that this reflected a 3% increase in income from boating as detailed in the Business Plan 2017-18 which demonstrated that the pricing consultation was not intended to address the significant shortfall in funding.

The Board further approved that a policy, market and charging assessment would take place every five years.

The Board discussed and approved the further recommendations relating to leisure, residential and transit customers, in particular retaining the one year security of tenure for residential customers.

The Board considered the policy for the transfer of moorings with the boat sale and agreed to follow the Canal & River Trust policy whereby it was not permitted to transfer the mooring with the boat sale. As publicly owned assets the moorings should not be considered as an asset of the customer.

The Board discussed the appeals process and noted that housing benefits applied to residential moorings. As customers would have access to housing benefits, if eligible, the Board agreed to suspend the appeal process in favour of directing eligible residential customers to this external process.

The Board extended thanks to the consultants and Scottish Canals.

12. Review of Dredging Pilot Initiative decision paper

The Board discussed the review of the dredging pilot initiative which focused on delivering flexible lock and bridge opening to match the peak service demands of transit customers on the Forth & Clyde Canal West. A full staff and customer communication programme had led to positive feedback and the initiative had successfully unlocked limited resources to allow for the development of volunteer engagement and further dredging of the Lowland Canals.

The Board approved the adoption of the dredging programme for the 2017-18 financial year, as piloted in the 2016-17 boating season.

The Board noted that a further pilot to create more user operation on the Forth & Clyde Canal was in the planning stages and a report would be submitted to the Board in early 2018 for potential implementation in the 2018/19 boating season.

Action:

A pilot to create more user operation on the Forth & Clyde Canal to be submitted to the Board in early 2018 for potential implementation in the 2018/19 boating season.

13. Management Resilience discussion paper

The Board discussed the resilience, development and succession planning for the management team and was satisfied that the continuing development of the Heads of Service improved the resilience and succession planning of the organisation although it was agreed that external recruitment would be required for several posts as necessary. The key points for further consideration were the continued review of the operating model and the contribution procurement skills could bring to strengthening contract management.

14. SC response to draft Gender Representation on Public Bodies (Scotland) Bill Consultation

The Board considered and approved the suggested draft Scottish Canals response to the consultation on the draft Gender Representation on Public Bodies (Scotland) Bill.

Action:

Scottish Canals response to the consultation on the draft Gender Representation on Public Bodies (Scotland) Bill to be submitted by the deadline of 17th March 2017.

15. Forward plan for March Board meeting

The Board discussed the format for the March Board meeting and agreed that the strategic discussion would focus on the corporate structure, monetisation/innovative funding models and digital participation. An agenda and papers setting the context for each strategic topic would be circulated prior to the meeting.

Date of Next Meeting

The next meeting would be held on 23rd March 2017 at The Falkirk Wheel.

Signed Andrew Thin Date